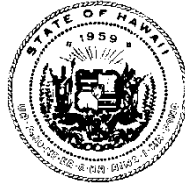


SB752



STATE OF HAWAII

DEPARTMENT OF BUSINESS, ECONOMIC DEVELOPMENT AND TOURISM
HAWAII HOUSING FINANCE AND DEVELOPMENT CORPORATION
677 QUEEN STREET, SUITE 300
Honolulu, Hawaii 96813
FAX: (808) 587-0600

IN REPLY REFER TO

Statement of
Karen Seddon
Hawaii Housing Finance and Development Corporation
Before the
SENATE COMMITTEE ON EDUCATION AND HOUSING

February 4, 2009 1:15 p.m.
Room 225, State Capitol

In consideration of
S.B. 752
RELATING TO SELF-HELP HOUSING.

The Hawaii Housing Finance and Development Corporation (HHFDC) does not support S.B. 752, which creates and funds a Self-Help Housing Trust Fund out of a portion of conveyance tax revenues. Given the current fiscal difficulties, it would not be prudent to pursue enactment at this time.

Currently, HHFDC may make loans to qualified nonprofit developers for the acquisition of land for self-help housing projects. Loans for the construction of self-help housing may also be made. These interim loans would be paid off when the owner-builder obtains a permanent mortgage loan. HHFDC does not provide grants or fund pre-development costs, capacity building for nonprofit housing developers, or other services or activities.

Thank you for the opportunity to testify.

Bernard P. Carvalho, Jr.
Mayor

Gary K. Heu
Administrative Assistant



KAUAI COUNTY HOUSING AGENCY
Pi'ikoi Building 4444 Rice Street Suite 330
Lihu'e, Hawai'i 96766

Eugene K. Jimenez
Housing Director

Kenneth N. Rainforth
Executive Assistant

February 3, 2009

Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
and Committee Members
Committee on Education and Housing
The Senate, State of Hawai'i
The Twenty-Fifth Legislature
Regular Session of 2009

**SUBJECT: Testimony Supporting Senate Bill 752, Relating to Self-Help Housing
Committee: EDH
Hearing: February 4, 2009 1:15 PM Conference Room 225**

The Kaua'i County Housing Agency (KCHA) strongly supports Senate Bill 752. The bill would amend HRS Chapter 201H to establish a self-help housing trust fund, for loans or grants for various phases of development or rehabilitation of self-help housing units. Sources of income to this revolving fund would include the conveyance tax, other appropriations from the legislature, private contributions, loan repayments and other sources.

Self-help housing on Kaua'i has been one of the most successful methods of creating affordable housing and empowering first-time homeowners. Additional sources of funding would enhance this opportunity for home ownership.

Thank you for the opportunity to provide testimony.

Sincerely,



EUGENE K. JIMENEZ
Housing Director





HAWAII COUNTY ECONOMIC OPPORTUNITY COUNCIL

47 Rainbow Drive
Hilo, Hawaii 96720-2013

Telephone 961-2681 Ext.413 Fax 935-9213 Email marymiho.finley@gmail.com

February 4, 2009

Senator Norman Sakamoto, Chair
Senator Michelle Kidani, Vice Chair
Committee on Education and Housing
Wednesday, February 4, 2009
Time: 1:15 pm
Conference Room 225 State Capitol
EDHTestimony@Capitol.hawaii.gov

IN SUPPORT: SB 752 - Relating to Self-Help Housing

As part of HCEOC's mission to prevent, alleviate and eliminate poverty, we have helped to facilitate the production of 76 units of self-help housing in Keaukaha (east Hawaii) and Milolii (west Hawaii) county c. 1991 - 2000.

With about the highest cost housing in the nation, the state of Hawaii needs to do more to support the production of affordable housing for Hawaii's working families. We support this measure because:

- 1) Homeownership is one of the fastest ways to create wealth/lift a family out of poverty.
- 2) Habitat for Humanity & self help developers are ready to use this money now.
- 3) Habitat and self help homes are the best economically-feasible option for low and very low income families to become homeowners in Hawaii today. (Hilo Habitat produced 3 bedroom-2 bath homes with solar hot water & computer for \$85,000 last year. Self-help technical assistance would add \$20,000/home for self help method of home production.)
- 4) Homebuilding is a major driver of our economy, locally and nationally.
- 5) A family's monthly payments for a Self help home is often less than what most families are forced to pay to rent in Hawaii.
- 6) Turning families from renters to owners creates hope, critical during these hard times.
- 7) Communities become more stable and sustainable when you increase the proportion of homeowners.
- 8) **Right now the scarcity of loan financing and technical assistance funding are both critical missing pieces to be able to increase the production of affordable, self help housing.**

This bill will increase the production of homes for Hawaii's hard-working people.

Mahalo for the opportunity to testify on this matter.

If there are any questions, please contact Mary Finley at 961-2681 Extension 413 or email hceocgy@hawaii.rr.com.

George Yokoyama
Executive Director

TAXBILLSERVICE

126 Queen Street, Suite 304

TAX FOUNDATION OF HAWAII

Honolulu, Hawaii 96813 Tel. 536-4587

SUBJECT: CONVEYANCE, Disposition for self-help housing trust fund

BILL NUMBER: SB 752

INTRODUCED BY: Sakamoto

BRIEF SUMMARY: Amends HRS section 247-7 to provide that ____% of conveyance tax revenues shall be paid into the self-help housing trust fund established under HRS section 201H-____.

Adds a new section to HRS chapter 201H to establish a self-help housing trust fund.

EFFECTIVE DATE: July 1, 2009

STAFF COMMENTS: The conveyance tax was enacted by the 1966 legislature after the repeal of the federal law requiring stamps for transfers of real property. It was enacted for the sole purpose of providing the department of taxation with additional data for the determination of market value of properties transferred. This information was also to assist the department in establishing real property assessed values and at that time the department stated that the conveyance tax was not intended to be a revenue raising device. The conveyance tax is imposed each time property changes title or ownership.

Prior to 1993, the conveyance tax was imposed at the rate of 5 cents per \$100 of actual and full consideration paid for a transfer of property. The legislature by Act 195, SLH 1993, increased the conveyance tax to 10 cents per \$100 and earmarked 25% of the tax to the rental housing trust fund and another 25% to the natural area reserve fund. Currently, 10% of conveyance tax revenues is earmarked for the land conservation fund, 30% for the rental housing trust fund and 25% for the natural area reserve fund with the remainder deposited into the general fund. Depending on the percentage delineated in this measure, this will reduce the remainder of conveyance tax revenues that will be deposited into the general fund.

While the proposed measure would yet again tap conveyance tax revenues for another “worthy” program, it should be remembered that the collections of this tax were originally a receipt of the general fund. That is the problem with earmarking the conveyance tax. With a hot real estate market, the collections of this tax have soared. However, as the market cools, as it did after the Japanese bubble burst in the mid 1990’s and now in the aftermath of the subprime credit crisis, the collections of this tax will wane. The conveyance tax is one of the least dependable sources upon which to rely for funding with collections rising and falling with the fortunes of the real estate market. Any amount collected under this tax will depend on activity in the real estate market. When the housing market slows down, revenues may not be sufficient to meet the expectations of the fund. If the additional revenues are not sufficient or another “important” program needs funding, will the conveyance tax be increased to generate even more revenue?

If the legislature deems any of the programs for which conveyance tax revenues are earmarked to be such a high priority, then it should maintain the accountability for these funds by appropriating the funds as it

does with other programs. Earmarking revenues merely absolves elected officials from setting priorities. When the legislature dipped into housing special funds to maintain funding for programs like education and social services, that was poor tax policy. When general fund revenues wane, will elected officials once more dip into special funds or repeal this earmarking or in the alternative raise taxes? Earmarking revenues restricts the flexibility in utilizing these revenues.

Finally, what is the right percentage to earmark for self-help housing? Even the author of this proposal has left that blank as the need will change from year to year and that is why the annual appropriation process is much more transparent and accountable. As noted above, should the percentage earmarked not be sufficient for the needs of this program, will lawmakers once again raise what was merely an indicator of value and not a source of income?

In its great wisdom, the legislature has already imposed a hefty burden on many affordable housing projects because of the much higher rates imposed on the transfer of residential property that will not be owner occupied. Will they again raise those rates and bring new development of affordable housing and rental housing to a stand still? Unfortunately, the target of that hefty increase on sales of residential real property will target those who are least likely to afford their shelter, the renter. Unintended consequences as they may be, this proposal, like many others that have sought to nickel and dime taxpayers to fund motherhood and apple pie ideas, will have just the opposite effect on the outlook for affordable housing in Hawaii. This proposal cannot be justified.

Digested 2/3/09

SELF-HELP HOUSING CORPORATION OF HAWAII
1427 DILLINGHAM BLVD., STE. 305
HONOLULU, HAWAII 96817
808-842-7111 (ph)/ 808-842-7896 (fax)

To: Senator Norman Sakamoto, Chair
Committee on Education and Housing
Hawaii State Legislature

From: Claudia Shay
Executive Director

RE: S.B. 752

In response to the housing crisis in Hawaii the Self-Help Housing Corporation of Hawaii was founded 25 years ago as a private, non-profit housing corporation to provide technical assistance to low income families to enable them to build their own houses through the team self-help method.

SHHCH has completed 43 projects in which 550 low income families on Oahu, Kauai, Maui, and Molokai have built their own three and four bedroom homes for \$120,000- \$230,000 fee simple depending on the project. With appraisals at \$450,000, the value of the houses is twice the cost. By utilizing the "sweat equity" as the down payment, SHHCH has been able to qualify very low and low income families for home mortgages. Their monthly payments are less than rental rates.

With the average sales price for a single family home in Hawaii at \$600,000, the self-help method enables the "workforce" of Hawaii to become homeowners. Families benefit by becoming homeowners, gaining equity, and learning invaluable skills. Communities benefit through the establishment of well maintained houses in stable neighborhoods, the broadening of the tax base, and the enhancement of property values.

The Self-Help Housing Corporation of Hawaii supports S.B.752 setting up a self-help housing fund for self-help housing projects and recommends: 1) a \$5,000,000 appropriation for the fund enabling self-help corporations to produce 250 more units per year; and 2) capping the technical assistance at \$20,000/unit; and 3) providing the funds to established self-help agencies operating in Hawaii; and 4) diversifying the use of the funds except for capacity building grants. For an efficient use of the funds to produce units, it should be utilized by experienced self-help agencies which already have options on the land.

SHHCH also strongly supports the passage of S.B. 752.

Thank you for your support.

From: [Jean Han](#)
To: [EDH Testimony](#)
Cc: [REDACTED]
Subject: SB752
Date: Tuesday, February 03, 2009 1:22:21 PM

February 3, 2009

Senator Norman Sakamoto
Chair, Senate Education & Housing Committee

Dear Senator Sakamoto:

Thank you for putting in a bill for Self-Help Housing Fund and as the Executive Director of Molokai Habitat for Humanity, I strongly support bill number #SB752.

Molokai Habitat for Humanity is in partnership with low and very low income families. We need the Self-Help Housing fund to continue our mission of building simple, decent and affordable homes for families in need.

Thank you in advance for your help.

Sincerely,

Jean Han
Executive Director
Molokai Habitat for Humanity
P.O. Box 486
Hoolehua, HI 96729
808-560-5444 phone
808-560-5445 fax
email: ohana@sandwichisles.net

From: [Emillia Noordhoek](#)
To: [EDH Testimony](#)
Subject: RE:SB752
Date: Tuesday, February 03, 2009 2:04:15 PM

February 3, 2009

Senator Norman Sakamoto
Chair, Senate Education & Housing Committee

Dear Senator Sakamoto:

Thank you for putting in a bill for Self-Help Housing Fund and as the Executive Director of Molokai Habitat for Humanity, I strongly support bill number #SB752.

Molokai Habitat for Humanity is in partnership with low and very low income families. We need the Self-Help Housing fund to continue our mission of building simple, decent and affordable homes for families in need.

Thank you in advance for your help.

Emillia Noordhoek
Resource Development Director
Molokai Habitat for Humanity
PO Box 468
Hoolehua, HI 96729
808-560-5444 phone
808-560-5445 fax
molokaihabitat@sandwichisles.net



*Building
houses,
building
hope*

Testimony in Support of SB 752: Relating to Self-Help Housing

Senate Committee on Education and Housing

February 4, 2009 1:15 p.m. Conference Room 225

Last year Self Help Housing programs in Hawaii came together in a coalition to increase the number of homes being built with low and very low-income families in our state. Self Help Housing programs have built more than 1,200 homes in Hawaii and are poised to build more homes to help alleviate the housing crisis across the islands.

There are currently 8 Self Help Housing programs building or hoping to soon build. They are: Self Help Housing Corporation of Hawaii, Hawaii Habitat for Humanity, Hawaii Island Community Development Corporation, Hawaii Intergenerational Community Development, Corporation, Molokai Home Ownership Made E-ffordable Corporation Hawaii County Economic Opportunity Council and Lokahi Pacific. Additionally the Cosuelo Zobel Alger Foundation built 73 homes in Waianae in the 1990s.

What Self Help Housing programs have in common is that they are non-profit organizations which work with low and very low income families to build their own homes. All together we are a vital but little known piece of the housing solution.

Senate bill 752 establishes a Self Help Housing Trust Fund (SHHTF) This fund will make critical money available to the Self Help Housing Programs to enable programs currently building to ramp up the number of homes we build and would enable three newer programs to begin building. It does this by making funding from the conveyance tax available for Technical Assistance (TA), such as construction site supervision and the recruiting and training self-help housing builders, construction materials and predevelopment costs

At a time when most housing development in the state is grinding to a halt, non-profit Self Help Housing developers can push ahead to meet the housing needs of many working poor people in our state who are otherwise especially vulnerable to the economic decline. We can help them create a future for their families which rests on the legacy that their family built by their own "sweat equity."

Kathleen Hasegawa, Hawaii Habitat for Humanity Association, (808) 538-7676



WRITTEN TESTIMONY

OF

**MS. SUSAN J. HUGHES
EXECUTIVE DIRECTOR
HABITAT FOR HUMANITY LEEWARD O'AHU**

**THE SENATE
THE TWENTY-FIFTH LEGISLATURE
REGULAR SESSION OF 2009**

**IN SUPPORT OF
COMMITTEE ON EDUCATION AND HOUSING
RELATING TO SELF-HELP HOUSING
SB 752**

Chairman Sakamoto, Vice Chair Kidani, and Distinguished Members of the Education and Housing Committee. On behalf of Habitat for Humanity Leeward O'ahu, I thank you for the opportunity to provide testimony regarding self-help housing and establishing a dedicated source of funding for self-help housing by establishing a self-help housing trust fund with income from the conveyance tax. Habitat for Humanity Leeward Oahu supports creation of such a funding source, and I would like to express the organization's deep appreciation to Chairman Sakamoto and the cosponsors of SB752 for moving forward with this important legislation this year.

Habitat for Humanity Leeward Oahu

Habitat for Humanity Leeward O'ahu (HFHLO) is a nonprofit, ecumenical Christian housing organization that seeks to eliminate poverty housing and homelessness in Leeward Oahu.

HFHLO was became a Habitat for Humanity affiliate in 2005 after 10 years as serving as a chapter of the Honolulu Habitat for Humanity affiliate. In the past 3 years the organization has built 5 homes, has 2 homes under construction, and is working to develop a 25 home project in Waianae.

The Leeward Oahu affiliate serves families who are very low-income, making 50% or less than the area media income. Through volunteer labor, donations of money and materials, and government support, Leeward Habitat builds simple, decent houses with the help of homeowner (partner) families. Habitat houses are sold to partner families at no profit, financed with affordable loans. The homeowners' monthly mortgage payments are used to build still more Habitat houses.

Habitat is not a giveaway program. In addition to a down payment and the monthly mortgage payments, homeowners invest hundreds of hours of their own labor -- sweat equity -- into building their Habitat house and the houses of others. Through homeownership counseling and ongoing support to homeowner families, Habitat enables partner families to meet successfully the responsibilities and challenges of homeownership.

The Benefits of Self-Help Housing

We at Habitat for Humanity Leeward Oahu have witnessed the transformational benefits of homeownership achieved through self-help housing. HFHLO is the newest Habitat affiliate in Hawaii, and already we have seen the transformational benefits of homeownership that our self-help housing program provides to our partner families. One family of 13 moved from being homeless on the beach to living in a simple decent home on Department of Hawaiian Homestead land. Another family moved out of the substandard shack that they were living in before partnering with Habitat for

Humanity to build their home. Other families were able to become homeowners instead of paying more than half of their income on small rental units.

Through Habitat for Humanity International we have received scholarly national research on the benefits of homeownership. Homeownership provides an important means to accumulate wealth, to stabilize families, to improve children's educational outcomes and reduce their emotional and behavioral problems, and to increase civic participation and build stronger communities. Following are just a few of the homeownership benefits that have been confirmed through their scholarly research.

Homeownership Creates Wealth

- Owning a home, especially for lower-income households, is an important means of wealth accumulation. For low-income minority families median average annual homeownership wealth appreciation is \$1,712 whereas non-homeownership wealth accumulation over the same period is \$0.¹
- Homeownership increases intergenerational wealth accumulation through improved educational achievement in children, which leads to greater earnings when these children enter the workforce.²

Homeownership Benefits Children

- Children of homeowners are more likely to stay in school, and daughters of homeowners are less likely to have children by age 18.³
- Owning a home leads to a higher quality home environment for children, improves their cognitive achievement (9% in math and 7% in reading), and reduces their behavioral problems (by 3%).⁴
- Children who spend all of their childhood in a home owned by their parents are 19% more likely to obtain a college degree than children whose parents always

¹ Boehm, Thomas P. and Alan Schlottmann, *Wealth Accumulation and Homeownership: Evidence for Low-Income Households*, U.S. Department of Housing and Urban Development: Office of Policy Development and Research, December 2004

² Boehm, Thomas P. and Alan M. Schlottmann, *Housing and Wealth Accumulation: Intergenerational Impacts, Low-Income Homeownership: Examining the Unexamined Goal*, Nicholas P. Retsinas and Eric S. Belsky eds., Brookings Institution Press: Washington DC 2002

³ Green, Richard K. and Michelle J. White, *Measuring the Benefits of Homeowning: Effects on Children*, Journal of Urban Economics, v 41, 441-461, 1997

⁴ Haurin, Donald R., Toby L. Parcel, and R. Jean Haurin, *Impact of Homeownership on Child Outcomes*, Low-Income Homeownership: Examining the Unexamined Goal, Nicholas P. Retsinas and Eric S. Belsky eds., Brookings Institution Press: Washington DC 2002

rented. Every additional year a child lives in a home owned by their parents, the probability that they will obtain a college degree increases.⁵

- Owning a home is also associated with lower levels of emotional and behavioral problems in children and adolescents.⁶

Homeownership Strengthens Communities

- Homeowners are more likely to know their congressman and school board chair by name, and are more likely to vote in local elections and to engage to solve local problems.⁷
- Homeowners are more likely to be satisfied with their homes and neighborhoods, and are more likely to participate in civic and political activities.⁸

There is little question that homeownership provides families and individuals with the opportunity to improve their lives. Establishing a self-help housing trust fund will help to provide increased opportunities to build homes for more very-low income families and give them the opportunity to enjoy the benefits of homeownership. Habitat for Humanity Leeward Oahu strongly supports establishing a self-help housing trust fund with income from the conveyance tax. Thank you again for the opportunity to share the views and experiences of Habitat for Humanity Leeward O'ahu with the Committee.

⁵ Galster, George, et al. *The Impacts of Parental Homeownership on Children's Outcomes During Early Adulthood*, Working Paper: March, 2007

⁶ Boyle, Michael H. *Home Ownership and the Emotional and Behavioral Problems of Children and Youth*, Child Development, vol. 73 no. 3: 2002

⁷ Dipasquale, Denise and Edward L. Glaeser, *Incentives and Social Capital: Are Homeowners Better Citizens?* Journal of Urban Economics, v 45, 354-384, 1999

⁸ Rohe, William, George McCarthy, and Shannon Van Zandt, *The Social Benefits and Costs of Homeownership: A Critical Assessment of the Research*, Research Institute for Housing America. May, 2000



Housing Hawaii
Advocating Creating Maintaining Affordable Housing

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County of Honolulu

Director – Kamaile

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Pacific

Executive Director

Nani Medeiros

February 4, 2009

The Honorable Norman Sakamoto, Chair
House Committee on Education and Housing
Hawaii State Capitol, Room 230
Honolulu, HI 96813

Dear Chair Sakamoto and Members:

RE: SB 752, RELATING TO SELF-HELP HOUSING

I am Nani Medeiros, Executive Director of Housing Hawaii, testifying with comments on Senate Bill 752, Relating to Self-Help Housing. This bill sets aside an unspecified percentage of the conveyance tax revenues for a self-help housing trust fund.

One of Housing Hawaii's priorities this year is to advocate and educate for the restoration of the 50% allocation of conveyance tax revenues into the rental housing trust fund. The 50% allocation sunset in June 2008, and the amount was reduced to 30%. Developers of affordable rental housing need the predictability of available funding for their projects. While Housing Hawaii supports self-help housing as a viable alternative, and one that certainly delivers serious investment in the current economy, we would not support a bill that negatively or adversely impacts the amount of revenue deposited into the rental housing trust fund.

Thank you for the opportunity to provide comments.

Nani Medeiros
Executive Director

Housing Hawaii, 841 Bishop Street, Suite 2208, Honolulu, HI 96813

Phone: 808-469-7774

Email: housinghawaii@hawaii.rr.com

www.housinghawaii.org